

Axis Bank

BSE SENSEX	S&P CNX	CMP: INR1,008	TP: INR1,240	Buy						
16,739	5,049									
Bloomberg	AXSB IN									
Equity Shares (m)	410.5									
52-Week Range	1,461/785									
1,6,12 Rel.Perf.(%)	11/-9/-9									
M.Cap. (INR b)	413.8									
M.Cap. (USD b)	8.2									
Year	Net Income	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	RoAA	RoAE
End	(INR m)	(INR m)	(INR)	Gr. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
3/10A	89,503	25,145	62.1	22.7	-	396	-	-	1.5	19.2
3/11A	111,951	33,885	82.5	33.0	12.2	463	2.2	2.2	1.6	19.3
3/12E	135,372	41,152	97.0	17.5	10.4	528	1.9	2.0	1.5	19.9
3/13E	162,335	47,560	112.1	15.6	9.0	619	1.6	1.7	1.5	19.5

Axis Bank 3QFY12 PAT grew ~24% YoY to INR11b (est. of INR10.4b). Stable margins QoQ (3.75%), healthy loan growth, strong fee income (+9% QoQ and +26% YoY) and savings deposit growth (+19% YoY on daily average basis) were the key positives. Higher profit of INR1.3b on account of proprietary forex trading was one of the key reasons for surprise in profitability. Key highlights:

- **Slippages at INR5.35b - stable QoQ:** Slippages in absolute terms increased to INR5.35b and bank restructured ~INR3b of loans (20bp of overall loans). Slippage ratio stood at ~1.7% v/s 1.8% in 2QFY12.
- **Loans growth remains strong led by strong traction in retail loans:** Loans grew 6% QoQ and 20% YoY to INR1.5t. Incremental loan growth was driven by strong growth in retail segment (+13% QoQ and 32% YoY) and corporate segment (up 6% QoQ and 19% YoY). While YTD loan growth stood at just 5%, mgmt remains confident of achieving loan growth of 16%+.
- **Fee income traction remains impressive:** Fee income grew 9% QoQ and 26%YoY to INR12.2b led by large and mid-corporate related fees (+25% QoQ and +34% YoY), retail banking (+13% QoQ and 26% YoY) and business banking related fees (+12% QoQ and 15% YoY)

Valuation and view: Strong NII growth and healthy fee income will lead to PAT CAGR of 18% over FY12/13. With Tier 1 nearing 9%, capital raising possibility will increase in FY13. We have factored in equity dilution of ~3% on account of Enam acquisition deal. Stock trades at 1.6x FY13 BV and 9x FY13 EPS. We expect RoE of 19%+ in FY11-13 and RoA of ~1.5% over FY11-13. Maintain **Buy**.

	Axis Bank: Quarterly Performance										(INR Million)	
	FY11				FY12				FY11	FY12E		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Interest Income	33,256	36,243	38,383	43,667	48,814	52,760	57,770	60,832	151,548	220,175		
Interest Expense	18,118	20,092	21,052	26,657	31,573	32,687	36,367	38,856	85,918	139,483		
Net Interest Income	15,138	16,151	17,331	17,010	17,241	20,073	21,403	21,976	65,630	80,692		
% Change (Y-o-Y)	44.8	40.5	28.5	16.5	13.9	24.3	23.5	29.2	31.1	23.0		
Other Income	10,008	10,332	11,477	14,504	11,679	12,349	14,298	16,353	46,321	54,679		
Net Income	25,146	26,483	28,808	31,514	28,920	32,422	35,701	38,329	111,951	135,372		
Operating Expenses	10,645	11,620	12,224	13,306	13,335	14,665	15,109	16,649	47,794	59,758		
Operating Profit	14,501	14,864	16,585	18,208	15,585	17,756	20,592	21,680	64,157	75,613		
% Change (Y-o-Y)	23.3	13.8	20.6	31.6	7.5	19.5	24.2	19.1	22.4	17.9		
Other Provisions	3,330	3,788	3,139	2,544	1,758	4,056	4,223	4,610	12,800	14,647		
Profit before Tax	11,171	11,076	13,446	15,664	13,826	13,701	16,369	17,070	51,357	60,966		
Tax Provisions	3,752	3,725	4,532	5,463	4,403	4,497	5,346	5,568	17,472	19,814		
Net Profit	7,419	7,351	8,914	10,201	9,424	9,203	11,023	11,503	33,885	41,152		
% Change (Y-o-Y)	32.0	38.3	35.9	33.4	27.0	25.2	23.7	12.8	34.8	21.4		
Deposit Growth (%)	33.8	35.7	36.9	33.9	24.5	23.9	33.9	24.0	33.9	24.0		
Loan Growth (%)	39.1	36.5	45.7	36.5	21.4	26.7	20.4	20.0	36.5	20.0		
CD Ratio (%)	73.6	70.5	79.3	75.3	71.8	72.0	71.3	72.8	75.3	72.8		
Net Interest Margin (Reported,%)	3.7	3.7	3.8	3.4	3.3	3.8	3.8		3.7			
Net Interest Margin (Cal, %)	3.6	3.7	3.8	3.3	3.2	3.7	3.7	3.4	3.4	3.3		
Tax Rate (%)	33.6	33.6	33.7	34.9	31.8	32.8	32.7	32.6	34.0	32.5		
Gross NPA (%)	1.1	1.1	1.1	1.0	1.1	1.1	1.1	1.2	1.0	1.2		

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) + 91 22 3982 5415

Sohail Halai (Sohail.Halai@motilalosal.com)+ 91 22 3982 5430

Quarterly performance: Above estimates (INR m)

Y/E March	3QFY12A	3QFY12E	Var. (%)	Comments
Net Interest Income	21,403	21,033	2	Margins largely stable QoQ - a positive surprise
% Change (YoY)	23	21		
Other Income	14,298	14,144	1	Higher forex trading income
Net Income	35,701	35,177	1	
Operating Expenses	15,109	15,432	-2	Strong control over cost
Operating Profit	20,592	19,745	4	Strong core operating performance
% Change (YoY)	24	19		
Other Provisions	4,223	4,350	-3	Asset quality remains stable
Profit before Tax	16,369	15,395	6	
Tax Provisions	5,346	5,003	7	
Net Profit	11,023	10,392	6	Higher trading profits and lower opex leading to higher than est PAT
% Change (YoY)	24	17		

Source: Company/MOSL

Loans growth remains strong led by strong traction in retail loans: Loans grew 6% QoQ and 20% YoY to INR1.5t. Incremental loan growth was driven by strong growth in retail segment (+13% QoQ and 32% YoY) and corporate segment (up 6% QoQ and 19% YoY). Housing loans grew 12% QoQ and 48% YoY. Overall share of retail loan to overall loan has increased to 22.4% as compared to 20.9% a quarter ago and will increase further. Agriculture and SME loans remained flat QoQ. However, on a YoY basis SME segment grew 21%.

Core CASA largely stable QoQ: For 3QFY12, CASA on average daily basis grew 13% YoY led by strong growth in average SA deposit growth (+19% YoY) - a positive. However moderation in CA deposit growth (+4% YoY) led to overall moderation. For 9MFY12, SA deposits growth stood at 20%, CA deposits growth at 12% and overall CASA growth stood at 17% YoY. Daily average CASA mix declined to 37% v/s 38% a quarter ago.

Margins stable QoQ - a positive surprise: Reported margins was stable QoQ at 3.75% - better than est., led by re-pricing of assets and containment of cost of funds (+15bp QoQ). Stable CASA ratio and moderation in bulk deposit rates further aided margins. Mgmt reiterated its guidance of maintaining NIMs in the range of 3.25-3.5%.

Fee income traction remains impressive: During the quarter fee income grew 9% QoQ and 26%YoY to INR12.2b. Strong growth in fee income was led by large and mid-corporate related fees (+25% QoQ and +34% YoY), retail banking (+13% QoQ and 26% YoY) and business banking related fees (+12% QoQ and 15% YoY). On a sequential basis, treasury related fees declined 15% QoQ to INR2.3b, however remained healthy at +25% YoY. Agri and SME segment related fees, capital market related fees were muted. Strong traction in fee income streams have been the key driver for RoA's of AXSB. We model in fee income growth of 25%+ over FY12-13. During the quarter bank booked forex-related trading gains of INR1.3b as against INR424m a quarter ago and INR303m driving strong growth in other income. While increased volatility in currency rate has resulted in sharp trading gain it is expected to normalize going forward.

Slippages at INR5.35b - stable QoQ.: During the quarter INR5.35b (annualized slippage ratio of 1.73% as against 1.8% a quarter ago and 1.4% in FY11) slipped into NPA. Recoveries and up-gradation stood at INR1.2b as compared to INR1.6b a quarter ago,

whereas write-offs stood at INR2.4b (v/s INR1.6b a quarter ago and INR870m a year ago). On a sequential basis, GNPA and NNPA in absolute terms increased 10% and 24% respectively. In % terms GNPA was flat QoQ while NNPA was up 5bp QoQ at 40bp.

Credit cost at 75bp; Mgmt guides it to be ~80bp: During the quarter bank made NPA provision of INR3.3b (credit cost of 90bp v/s70bp in 2QFY12 and 90bp in FY11). Management guided for credit cost of ~80bp in the current state of environment. PCR (calc.) declined to 64.3% as compared to 68.5% a quarter ago, however including prudential write offs, PCR stood at 75%. During the quarter, bank provided INR430m towards depreciation on investment and INR570m on account of provisions towards standard asset.

Restructured loan of ~INR3b (20bp of overall loan) in 3QFY12: During the quarter, bank restructured loan of ~INR3b (20bp of overall loans) and INR70m slipped into NPA from restructured portfolio. Cumulatively outstanding restructured loan stood at INR27b (1.8% of overall loans), of which 75% comprised of corporate segment, 9% of SME segment, 11% of agri. and MFI segment and 5% related to capital market segment. Sector wise textiles, petroleum and shipping forms 50% of the restructured loans. ~70% of the RL have already completed the period of 12 months.

Other Details: (1) CAR (including quarterly profits) of the bank stood at 13.1%, of which Tier I ratio stood at 9.6%. (2) During the quarter AXSB opened 50 (730 ATM) branches and in last one year branch network increased by 375 (3021 ATM) to 1493 (8324 ATM). Going forward mgmt guided for addition of 250 branches per annum.

Concall highlights

- Management guided credit cost of 80bp going forward in the state of current environment. Management mentioned that it does not have any significant restructuring pipeline, however it would be difficult to provide outlook on same.
- While YTD loan growth stood at just 5% management remains confident of achieving loan growth of 16%+. Working capital loan, disbursement from existing sanction pipeline will drive loan growth in corporate segment and retail loan growth will be driven by secured loans. Besides strong growth in PSL book (as bank strives to achieve its PSL target) will remain the key driver.
- Retail loan as a % to overall portfolio increased by 150bp QoQ to 22.4%, and management expects to leverage its branch network and targets to increase the proportion of retail loan further. Currently 30% of the retail loans in sourced through branch network.
- Environment for infrastructure financing remains challenging, however management mentioned that it has not seen any significant stress in this segment so far.
- CASA on daily average basis declined 100bp QoQ to 37%. While increase in deposit rate is leading to cannibalization of saving deposit into term deposit new customer acquisition remains healthy. Average SA deposits balance stood at INR30,000. On period ending basis CASA ratio remained stable at 42% and management expects to maintain CASA ratio in the range of 38-42%.

Valuation and view

While margins are likely to moderate in 4QFY12 as bank increase its PSL book for FY12, it is likely to be strong at 3.5%+. Further in FY13, we model margin decline of ~10bp (considering higher share of bulk deposits - positive surprises are likely). Healthy loan growth of 20% and largely stable NIMs will translate into NII CAGR of ~20% over FY12/13. Axis Bank's key strengths have been its ability to grow CASA deposits (CAGR of 37% over FY06-11). Given Bank's strong and rapidly growing liability franchise, we expect CASA growth to remain strong. Strong growth across fee income segment is also impressive, and is a key driver for RoA. Even with some moderation (in FY13), we model in fee income growth of ~25% over FY12/13.

While performance on asset quality has been healthy we built in higher credit cost of 100bp (mgmt guidance of 80bp) for FY13 as against 70bp in FY12. Strong NII growth and healthy fee income will lead to PAT CAGR of 18% over FY12/13. With Tier 1 nearing 9%, capital raising possibility will increase in FY13. We have factored in equity dilution of ~3% on account of Enam acquisition deal. We estimate BV of INR528 and INR619 and EPS to be INR97 and INR112 over FY12 and FY13 respectively.

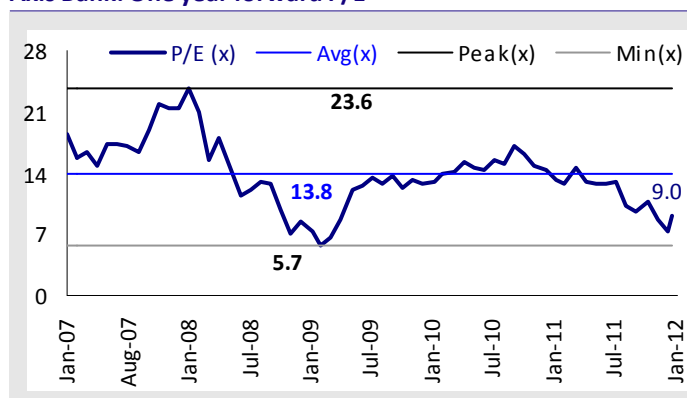
Stock trades at 1.6x FY13 BV and 9x FY13 EPS. We expect RoE of 19%+ in FY11-13 and RoA of ~1.5% over FY11-13. Maintain **Buy** with a target price of INR1,240 (2x FY13 PBV and implied targeted PE of 11x) - upside of ~23%.

We largely maintain our earning estimates (INR b)

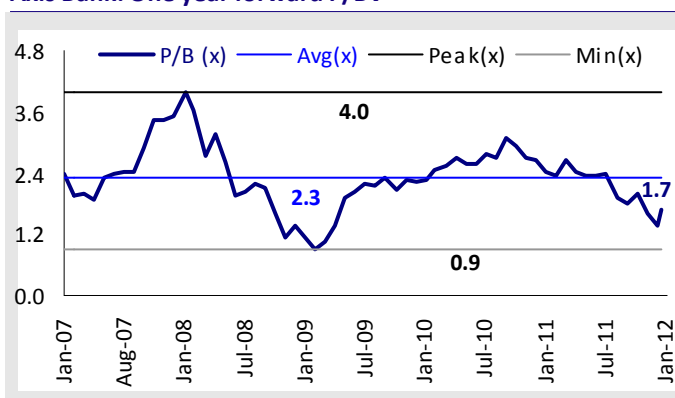
	Old		Revised		Change (%)	
	FY12	FY13	FY12	FY13	FY12	FY13
Net Interest Income	79.9	95.5	80.7	94.8	1.0	-0.7
Other Income	54.8	67.5	54.7	67.5	-0.3	0.0
Total Income	134.7	163.0	135.4	162.3	0.5	-0.4
Operating Expenses	60.1	74.2	59.8	71.7	-0.6	-3.3
Operating Profits	74.6	88.8	75.6	90.6	1.4	2.0
Provisions	14.9	17.5	14.6	20.2	-1.5	15.5
PBT	59.7	71.4	61.0	70.5	2.1	-1.3
Tax	19.4	23.9	19.8	22.9	2.1	-4.2
PAT	40.3	47.5	41.2	47.6	2.1	0.2
Margins (%)	3.3	3.2	3.3	3.2		
Credit Cost (%)	0.7	0.8	0.7	1.0		
RoA (%)	1.5	1.5	1.5	1.5		
RoE (%)	19.5	19.6	19.9	19.5		

Source: MOSL

Axis Bank: One year forward P/E

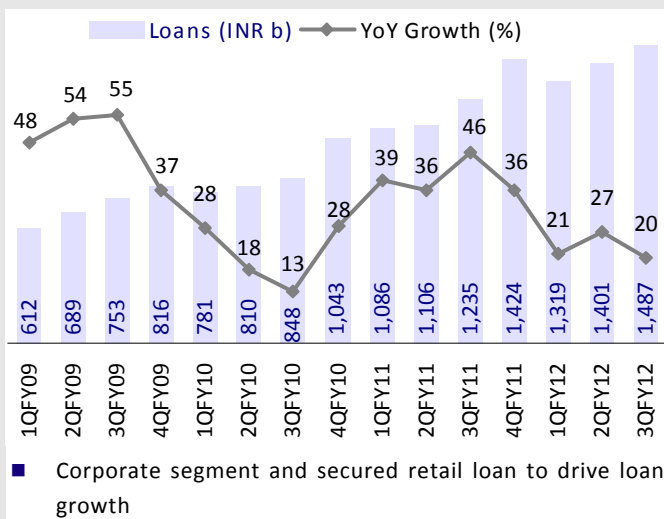


Axis Bank: One year forward P/BV

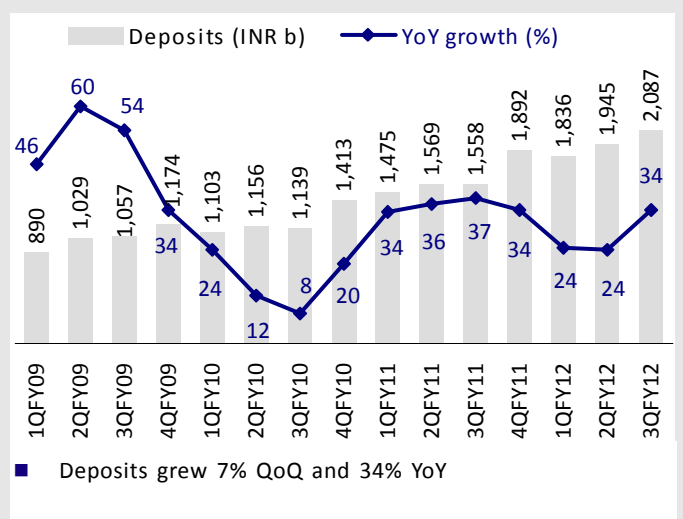


Quarterly trends

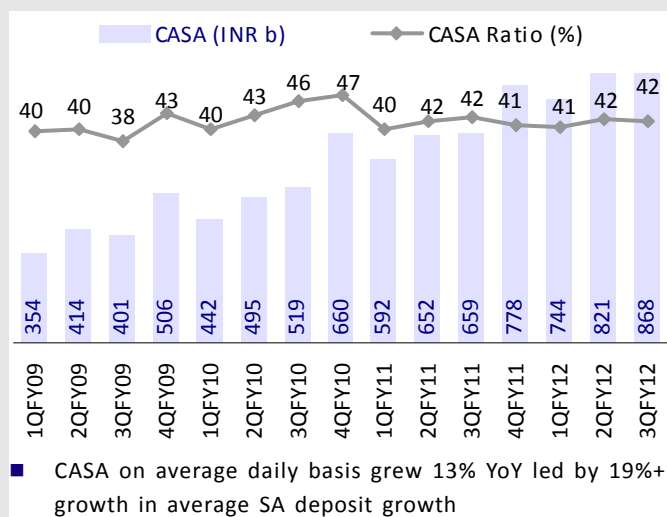
Loan growth remains healthy (+6% QoQ and 20% YoY)



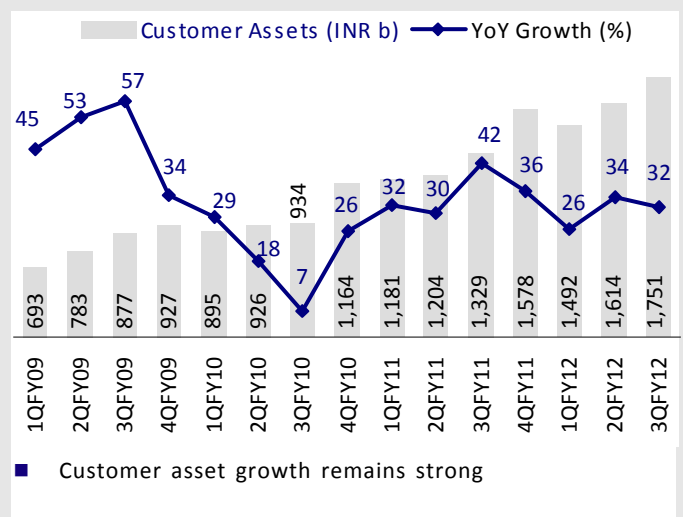
Deposit growth remains strong



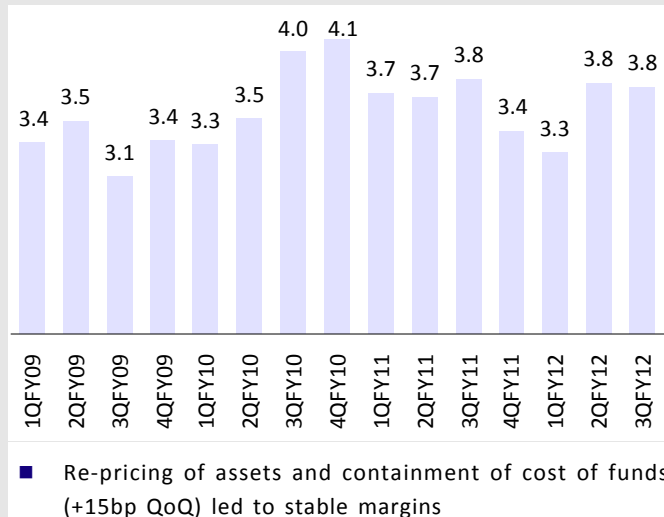
Average daily CASA Ratio declines ~100bp QoQ



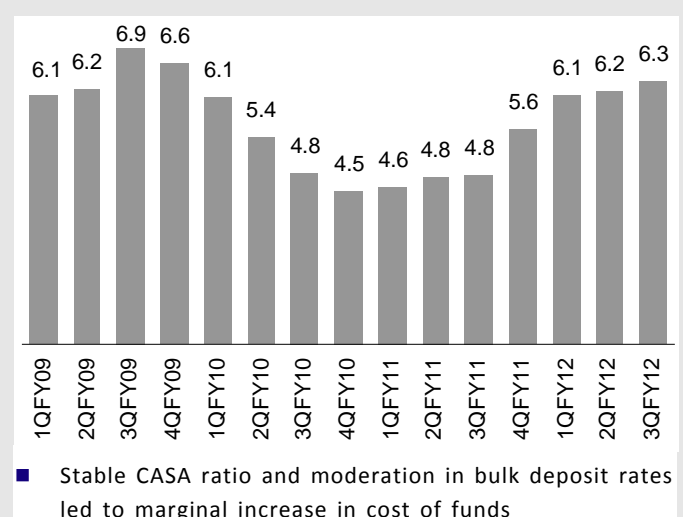
Customer Assets grew 8% QoQ and 32% YoY



Margin stable QoQ - a positive surprise (%)

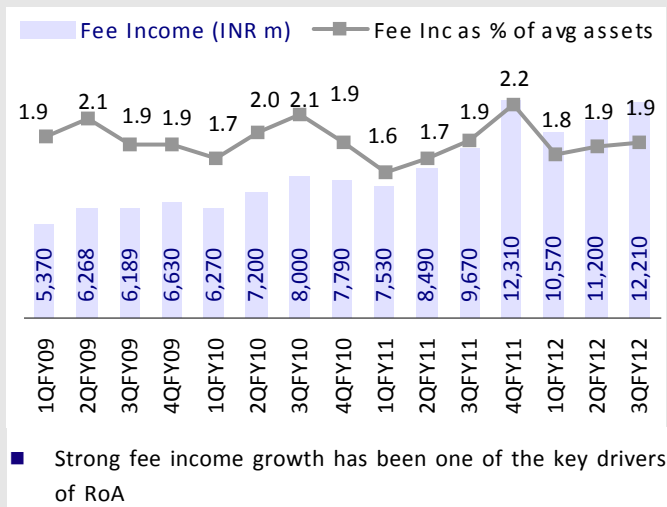


Cost of funds up remains under check (%)

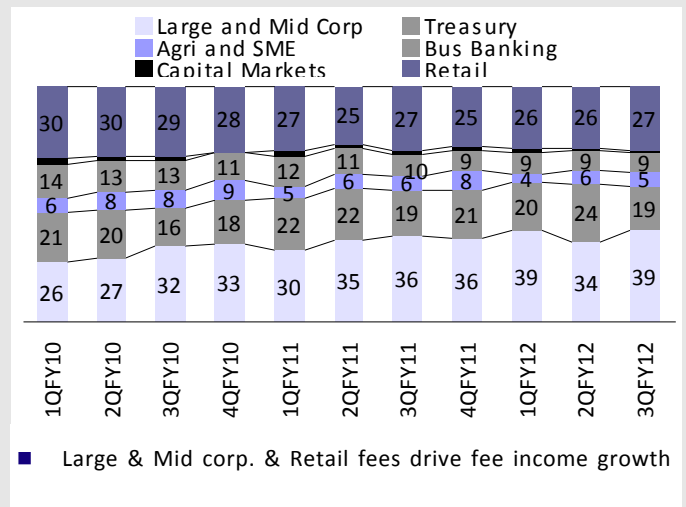


Quarterly trends (coninued)

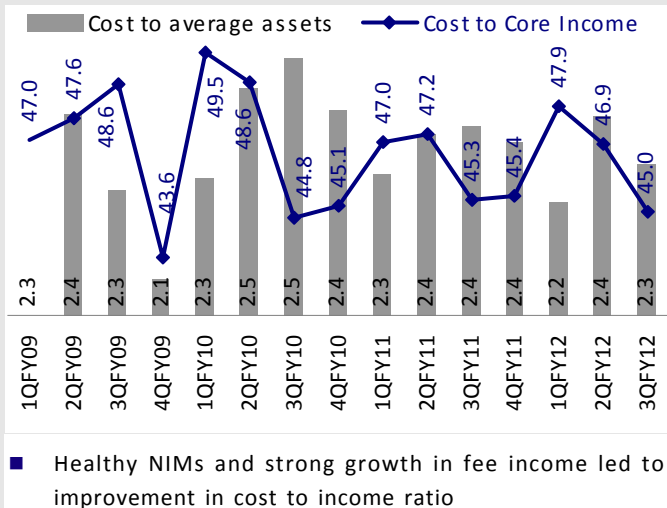
Traction in fee income remains impressive (%)



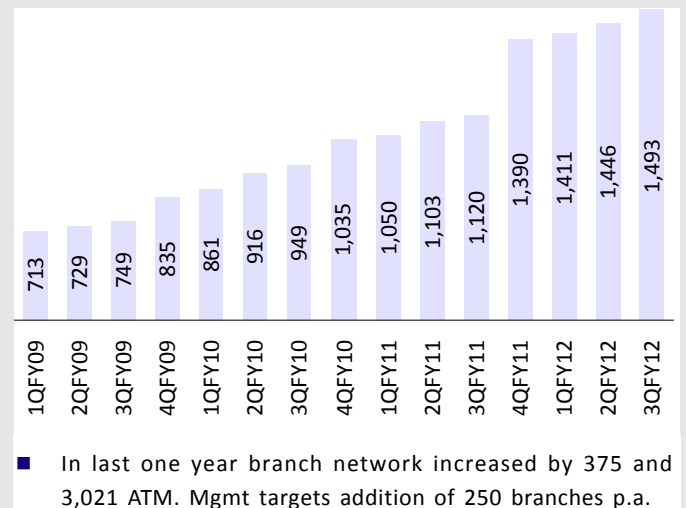
Share of large and mid corporate related fees improves (%)



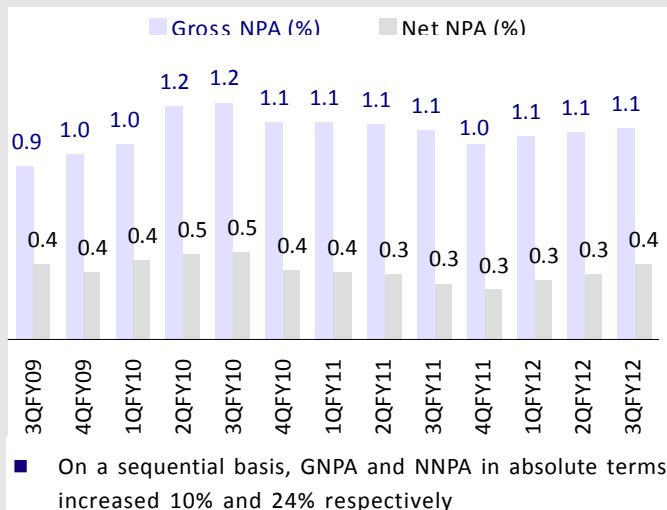
Strong control over opex demonstrated (%)



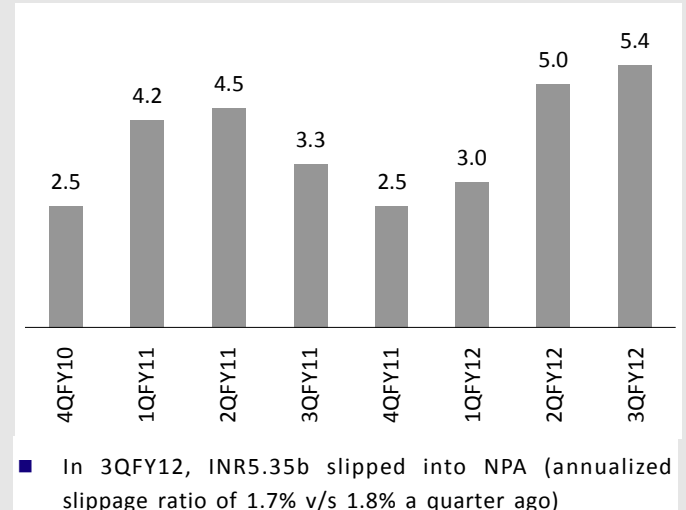
Branch expansion continues (Nos.)



Stable asset quality



Slippages stable QoQ (INR b)



Quarterly Snapshot

	FY11				FY12			Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY	9M FY11	9M FY12	YoY Gr (%)
Profit and Loss (INR m)												
Net Interest Income	15,138	16,151	17,331	17,010	17,241	20,073	21,403	7	23	48,620	58,717	21
Other Income	10,008	10,332	11,477	14,504	11,679	12,349	14,298	16	25	31,817	38,326	20
Trading profits	1,957	1,080	1,350	581	702	280	1,180	321	-13	4,387	2,162	-51
Fee Income	7,530	8,490	9,670	12,310	10,570	11,200	12,210	9	26	25,690	33,980	32
Miscellaneous Income	520	762	457	1,613	406	869	908	4	99	1,740	2,184	26
Total Income	25,146	26,483	28,808	31,514	28,920	32,422	35,701	10	24	80,437	97,043	21
Operating Expenses	10,645	11,620	12,224	13,306	13,335	14,665	15,109	3	24	34,488	43,109	25
Employee	4,164	4,053	3,962	3,960	5,100	4,986	5,420	9	37	12,179	15,506	27
Others	6,481	7,567	8,262	9,346	8,235	9,679	9,689	0	17	22,310	27,603	24
Operating Profits	14,501	14,864	16,585	18,208	15,585	17,756	20,592	16	24	45,949	53,933	17
Provisions	3,330	3,788	3,139	2,544	1,758	4,056	4,223	4	35	10,256	10,038	-2
PBT	11,171	11,076	13,446	15,664	13,826	13,701	16,369	19	22	35,692	43,896	23
Taxes	3,752	3,725	4,532	5,463	4,403	4,497	5,346	19	18	12,009	14,246	19
PAT	7,419	7,351	8,914	10,201	9,424	9,203	11,023	20	24	23,684	29,649	25
Asset Quality												
GNPA	13,409	13,624	14,829	15,994	15,731	17,438	19,145	10	29			
NNPA	4,134	4,094	3,855	4,104	4,625	5,488	6,829	24	77			
GNPA (%)	1.1	1.1	1.1	1.0	1.1	1.1	1.1	2.0	1.0			
NNPA (%)	0.4	0.3	0.3	0.3	0.3	0.3	0.4	5.0	10.0			
PCR (Calculated, %)	69	70	74	74	71	69	64	-420	-967			
PCR (Reported, %)	77	80	83	81	80	78	75	-241	-741			
Slippages	4,210	4,460	3,340	2,480	2,960	4,960	5,350	8	60			
Slippage Ratio	2.2	2.2	1.6	1.0	1.1	1.8	1.7	-6	16			
Prov. for NPA in qtr	3,020	3,210	2,330	970	1,530	2,470	3,340	35	43	8,560	7,340	-14
Credit Cost	1.1	1.2	0.8	0.3	0.4	0.7	0.9	20	13			
Restructured loans	21,510	20,610	21,170	19,300	21,510	24,100	27,010	12	28			
% to Loans	2.0	1.9	1.7	1.4	1.6	1.7	1.8	10	10			
Ratios (%)												
Fees to Total Income	29.9	32.1	33.6	39.1	36.5	34.5	34.2			31.9	35.02	
Cost to Core Income	47.0	47.2	45.3	45.4	47.9	46.9	45.0			46.4	47	
Tax Rate	33.6	33.6	33.7	34.9	31.8	32.8	32.7			33.6	32	
CASA (Cal.)	40.2	41.5	42.3	41.1	40.5	42.2	41.6					
Loan/Deposit	73.6	70.5	79.3	75.3	71.8	72.0	71.3					
CAR	15.0	14.6	13.8	12.7	13.0	12.2	13.1					
Tier I	10.8	10.7	10.2	9.4	9.8	9.3	9.6					
Fee income distribution												
Large and Mid Corp	2,280	2,980	3,520	4,380	4,130	3,790	4,730	25	34	8,780	12,650	44
Treasury & DCM	1,690	1,850	1,860	2,550	2,100	2,740	2,320	-15	25	5,400	7,160	33
Agri and SME	370	480	580	1,000	430	640	660	3	14	1,430	1,730	21
Business Banking	940	920	950	1,070	990	970	1,090	12	15	2,810	3,050	9
Capital Markets	200	160	150	190	160	150	130	-13	-13	510	440	-14
Retail Banking	2,050	2,100	2,610	3,120	2,760	2,910	3,280	13	26	6,760	8,950	32
Wealth management	190	390	640	1,030	590	770	980	27	53			
Cards Fees	570	710	800	850	810	1,090	1,110	2	39			
Other	1,290	1,000	1,170	1,240	1,360	1,050	1,190	13	2			
Margins - Reported (%)												
Cost of Funds	4.6	4.8	4.8	5.6	6.1	6.2	6.3	15	155			
Margins	3.7	3.7	3.8	3.4	3.3	3.8	3.8	-3	-6			
Franchise												
Branches	1,050	1,103	1,120	1,390	1,411	1,446	1,493	47	373			
ATM	4,474	4,846	5,303	6,270	6,871	7,594	8,324	730	3,021			

For %age change QoQ and YoY is bp

Source: Company/MOSL

Quarterly Snapshot

INR b	FY10				FY11				FY12			Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY
Balance Sheet													
Loans	781	810	848	1,043	1,086	1,106	1,235	1,424	1,319	1,401	1,487	6	20
Investments	463	521	493	560	575	619	596	720	753	850	903	6	51
Customer Assets	895	926	934	1,164	1,181	1,204	1,329	1,578	1,492	1,614	1,751	8	32
Deposits	1,103	1,156	1,139	1,413	1,475	1,569	1,558	1,892	1,836	1,945	2,087	7	34
Borrowings	160	157	160	172	196	190	256	263	223	268	308	15	20
Total Assets	1,411	1,517	1,505	1,806	1,895	1,998	2,067	2,427	2,331	2,506	2,693	7	30
Deposits Break Up													
Retail Deposits	442	483	513	551	638	679	615	743	797	875	919	5	50
% to total Deposits	40	42	45	39	43	43	39	39	43	45	44		
Other Deposits	660	673	625	862	837	890	944	1,149	1,039	1,070	1,168	9	24
% to total Deposits	60	58	55	61	57	57	61	61	57	55	56		
Deposits Break Up													
CASA Deposits													
% to total Deposits	40	43	46	47	40	42	42	41	41	42	42		
Savings	252	280	296	339	347	378	391	409	429	468	473	1	21
% to total Deposits	23	24	26	24	24	24	25	22	23	24	23		
Current	190	215	223	322	245	274	268	369	315	354	395	12	47
% to total Deposits	17	19	20	23	17	17	17	20	17	18	19		
Term Deposits	661	661	619	753	882	917	899	1,115	1,092	1,123	1,219	9	36
% to total Deposits	60	57	54	53	60	58	58	59	59	58	58		
Loan Break Up													
Agriculture	75	79	78	115	106	91	108	173	147	106	107	1	-1
SME Loans	149	150	165	195	168	168	171	214	198	208	207	0	21
Retail Loans	168	180	189	208	211	210	252	278	270	293	333	13	32
of which													
Auto	22	25	28	28	27	27	28	31	35	38	43	13	56
Housing	109	120	134	147	150	153	169	189	203	223	249	12	48
Personal Loans	25	23	15	20	21	21	45	44	16	18	20	13	-56
Others	12	11	11	13	13	8	10	14	16	15	20	36	98
Other loans	389	401	416	525	601	637	705	759	703	794	841	6	19
Loan Mix (%)													
Agriculture	10	10	9	11	10	8	9	12	11	8	7		
SME Loans	19	19	19	19	15	15	14	15	15	15	14		
Retails	21	22	22	20	19	19	20	19	20	21	22		
Others	50	49	49	50	55	58	57	53	53	57	57		
Ratings Profile (%)													
Large and Mid Corp													
AAA	4	2	6	10	9	8	8	7	8	7	6		
AA	22	23	19	18	19	22	24	25	26	24	23		
A	54	53	49	47	46	44	41	43	41	42	41		
BBB	18	19	22	22	23	23	25	23	23	24	27		
<BBB and below	2	3	4	3	3	3	2	2	2	3	3		
SME													
SME1	1	1	1	2	2	2	2	5	5	5	6		
SME2	10	11	11	13	15	17	17	18	20	18	18		
SME3	65	63	62	62	60	60	59	59	55	56	55		
SME4	16	17	17	13	13	12	12	11	12	13	12		
SME 5-8	8	8	9	10	9	9	10	7	8	8	9		

Source: Company/MOSL

Stock Info

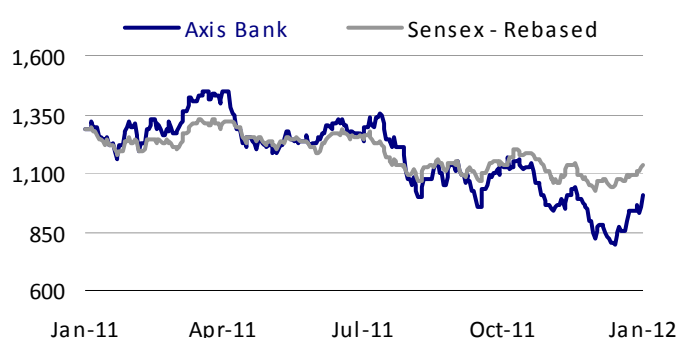
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	97.0	95.8	1.2
FY13	112.1	114.0	-1.7

Shareholding pattern (%)

	Dec-11	Sep-11	Dec-10
Promoter	37.6	37.2	37.4
Domestic Inst	6.7	7.0	5.3
Foreign	40.6	42.9	45.8
Others	15.1	12.9	11.6

1-year Sensex rebased



Financials: Valuation Matrix

	Rating	CMP (INR)	Mcap (USD\$b)	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
ICICI* [*]	Buy	843	19.4	53	61	11.7	9.8	1.6	1.4	1.4	1.4	13.4	14.1
HDFCB	Neutral	489	22.7	22	28	22.1	17.5	3.9	3.3	1.7	1.7	18.9	20.5
AXSB	Buy	1,008	8.3	97	112	10.4	9.0	1.9	1.6	1.5	1.5	19.9	19.5
KMB	Neutral	493	3.6	22	27	21.0	17.4	2.7	2.3	2.1	2.1	15.0	15.7
YES	Buy	298	2.1	27	32	10.9	9.2	2.2	1.9	1.4	1.3	22.6	22.2
IIB	Buy	281	2.6	17	21	16.4	13.4	2.9	2.5	1.6	1.5	19.3	20.1
VYSB	Buy	316	0.8	30	34	10.5	9.4	1.2	1.1	1.0	1.0	14.0	12.3
FB	Buy	382	1.3	43	50	8.9	7.7	1.2	1.1	1.3	1.2	13.7	14.4
JKBk	Buy	756	0.7	151	168	5.0	4.5	0.9	0.8	1.3	1.2	19.4	18.7
SIB	Buy	22	0.5	3	4	6.4	5.6	1.2	1.1	1.1	1.0	21.1	20.3
Private Aggregate			62			14.9	12.6	2.1	1.9				
SBIN (cons)*	Buy	1,932	24.5	211	240	8.7	7.6	1.2	1.1	0.8	0.8	15.6	16.1
PNB	Buy	949	6.0	158	184	6.0	5.2	1.2	1.0	1.2	1.2	22.7	22.0
BOI	Neutral	319	3.5	46	58	7.0	5.5	1.0	0.9	0.7	0.7	14.7	16.6
BOB	Neutral	780	6.1	111	127	7.0	6.1	1.3	1.1	1.1	1.0	20.0	19.6
CBK	Buy	430	3.8	80	89	5.4	4.8	0.9	0.8	1.0	0.9	18.2	17.5
UNBK	Buy	196	2.1	35	45	5.7	4.4	0.8	0.7	0.7	0.8	15.4	17.6
IOB	Neutral	87	1.1	22	18	4.0	4.8	0.6	0.6	0.7	0.5	15.6	12.0
OBC	Buy	229	1.3	41	49	5.6	4.6	0.6	0.5	0.7	0.7	11.2	12.3
INBK	Buy	210	1.8	40	47	5.2	4.5	1.0	0.8	1.3	1.3	19.8	19.6
CRPBK	Neutral	390	1.2	98	104	4.0	3.8	0.7	0.6	0.9	0.8	18.8	17.4
ANDB	Buy	100	1.1	23	26	4.3	3.9	0.8	0.7	1.1	1.0	18.7	18.0
IDBI *	Neutral	96	1.9	20	21	3.6	3.4	0.5	0.5	0.7	0.7	14.5	14.1
DNB	Buy	61	0.4	22	25	2.8	2.4	0.5	0.4	0.9	0.9	17.9	18.4
Public Aggregate			55			7.3	6.3	1.1	1.0				
HDFC*	Neutral	691	20.3	27	31	18.3	15.3	5.0	4.6	2.8	2.9	19.9	21.1
LICHF	Buy	239	2.3	18	27	13.4	8.9	2.4	2.0	1.5	1.8	18.9	24.0
DEWH	Buy	202	0.4	30	39	6.8	5.2	1.1	0.9	1.3	1.4	18.7	19.5
IDFC	Neutral	120	3.5	10	11	11.6	11.2	1.3	1.2	3.1	2.7	13.7	12.6
RECL	Buy	186	3.7	28	35	6.7	5.3	1.3	1.1	3.0	3.1	20.0	22.4
POWF	Buy	162	3.7	18	29	9.1	5.6	1.1	0.9	2.1	2.8	13.2	17.7
SHTF	Buy	561	2.5	58	63	9.7	8.9	2.1	1.8	3.0	2.9	23.9	21.6
MMFS	Neutral	659	1.4	56	70	11.7	9.4	2.3	1.9	4.1	4.1	21.3	22.4
NBFC Aggregate			38			13.8	10.8	3.1	2.6				

*Multiples adj. for value of key ventures/Investments; For ICICI Bank, HDFC Ltd BV is adjusted for investments in subsidiaries

Financials and Valuations

Income Statement					(INR Million)	
Y/E March	2008	2009	2010	2011	2012E	2013E
Interest Income	70,053	108,355	116,380	151,548	220,175	261,329
Interest Expense	44,200	71,493	66,335	85,918	139,483	166,507
Net Interest Income	25,854	36,862	50,045	65,630	80,692	94,823
Change (%)	76.1	42.6	35.8	31.1	23.0	17.5
Non Interest Income	17,955	28,969	39,458	46,321	54,679	67,512
Net Income	43,808	65,831	89,503	111,951	135,372	162,335
Change (%)	76.8	50.3	36.0	25.1	20.9	19.9
Operating Expenses	21,549	28,582	37,097	47,794	59,758	71,710
Pre Provision Profits	22,259	37,249	52,406	64,157	75,613	90,625
Change (%)	76.1	67.3	40.7	22.4	17.9	19.9
Provisions (excl tax)	5,796	9,397	13,892	12,800	14,647	20,165
PBT	16,463	27,852	38,514	51,357	60,966	70,460
Tax	5,753	9,698	13,368	17,472	19,814	22,899
Tax Rate (%)	34.9	34.8	34.7	34.0	32.5	32.5
PAT	10,710	18,154	25,145	33,885	41,152	47,560
Change (%)	62.5	69.5	38.5	34.8	21.4	15.6
Equity Dividend (Incl tax)	2,516	4,205	5,674	6,704	8,667	10,016
Core PPP*	19,608	33,735	43,299	57,241	71,945	85,206
Change (%)	66.3	72.1	28.4	32.2	25.7	18.4

*Core PPP is (NII+Fee income-Opex)

Balance Sheet					(INR Million)	
Y/E March	2008	2009	2010	2011	2012E	2013E
Equity Share Capital	3,577	3,590	4,052	4,105	4,243	4,243
Reserves & Surplus	84,108	98,546	156,393	185,883	219,627	258,627
Net Worth	87,685	102,136	160,444	189,988	223,871	262,870
Deposits	876,262	1,173,741	1,413,002	1,892,378	2,346,549	2,815,858
Change (%)	49.1	33.9	20.4	33.9	24.0	20.0
of which CASA Dep	400,270	506,437	660,295	777,674	922,920	1,096,245
Change (%)	70.8	26.5	30.4	17.8	18.7	18.8
Borrowings	90,535	155,199	171,696	262,679	307,228	359,487
Other Liabilities & Prov.	41,298	46,145	61,336	82,089	84,570	101,096
Total Liabilities	1,095,779	1,477,220	1,806,479	2,427,134	2,962,218	3,539,312
Current Assets	125,042	150,169	152,064	214,087	224,236	253,227
Investments	337,051	463,304	559,748	719,916	917,893	1,101,472
Change (%)	25.3	37.5	20.8	28.6	27.5	20.0
Loans	596,611	815,568	1,043,431	1,424,078	1,708,894	2,050,673
Change (%)	61.8	36.7	27.9	36.5	20.0	20.0
Fixed Assets	9,229	10,729	12,225	22,731	23,184	23,927
Other Assets	27,846	37,451	39,011	46,321	88,010	110,013
Total Assets	1,095,779	1,477,220	1,806,479	2,427,134	2,962,218	3,539,312

Asset Quality					(%)	
GNPA (INR m)	4,946	8,978	13,180	15,994	21,333	32,772
NNPA (INR m)	2,483	3,271	4,190	4,104	7,500	11,142
GNPA Ratio	0.83	1.09	1.25	1.11	1.24	1.58
NNPA Ratio	0.42	0.40	0.40	0.29	0.44	0.54
PCR (Excl Tech. write off)	49.8	63.6	68.2	74.2	64.8	66.0
PCR (Incl Tech. Write off)			72.4	80.9	74.8	73.0

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	2008	2009	2010	2011	2012E	2013E
Spreads Analysis (%)						
Avg. Yield-Earning Assets	8.5	9.3	7.8	7.8	9.0	8.9
Avg. Yield on loans	9.8	10.6	8.6	8.4	9.8	9.7
Avg. Yield on Investments	6.9	7.6	6.7	6.9	7.9	7.6
Avg. Cost-Int. Bear. Liab.	5.4	6.2	4.6	4.6	5.8	5.7
Avg. Cost of Deposits	5.1	6.1	4.4	4.5	5.9	5.8
Interest Spread	3.1	3.1	3.2	3.2	3.2	3.2
Net Interest Margin	3.1	3.2	3.3	3.4	3.3	3.2

Profitability Ratios (%)

RoE	17.6	19.1	19.2	19.3	19.9	19.5
RoA	1.2	1.4	1.5	1.6	1.5	1.5
Int. Expense/Int. Income	63.1	66.0	57.0	56.7	63.4	63.7
Fee Income/Net Income	34.9	38.7	33.9	35.2	37.7	38.3
Non Int. Inc./Net Income	41.0	44.0	44.1	41.4	40.4	41.6

Efficiency Ratios (%)

Cost/Income*	51.8	45.4	45.2	44.1	44.4	44.8
Empl. Cost/Op. Exps.	31.1	34.9	33.9	33.8	35.1	35.1
Busi. per Empl. (INR m)	82.4	83.9	102.7	109.2	123.9	133.3
NP per Empl. (INR lac)	0.7	0.9	1.2	1.3	1.4	1.4

* ex treasury

Asset-Liability Profile (%)

Loans/Deposit Ratio	68.1	69.5	73.8	75.3	72.8	72.8
CASA Ratio	45.7	43.1	46.7	41.1	39.3	38.9
Investment/Deposit Ratio	38.5	39.5	39.6	38.0	39.1	39.1
G-Sec/Investment Ratio	59.9	59.8	61.1	61.3	63.9	63.9
CAR	13.7	13.7	15.8	12.7	11.7	11.1
Tier 1	10.2	9.3	11.2	9.4	8.9	8.6

Valuation

Book Value (INR)	245.1	284.5	396.0	462.8	527.6	619.5
Change (%)	103.5	16.1	39.2	16.9	14.0	17.4
Price-BV (x)	4.1	3.5	2.5	2.2	1.9	1.6
Adjusted BV (INR)	240.6	278.6	389.3	456.3	516.1	602.4
Price-ABV (x)	4.2	3.6	2.6	2.2	2.0	1.7
EPS (INR)	29.9	50.6	62.1	82.5	97.0	112.1
Change (%)	28.0	68.9	22.7	33.0	17.5	15.6
Price-Earnings (x)	33.7	19.9	16.2	12.2	10.4	9.0
Dividend Per Share (INR)	4.5	6.0	10.0	12.0	14.0	17.5
Dividend Yield (%)	0.4	0.6	1.0	1.2	1.4	1.7

E: MOSL Estimates

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Motilal Oswal Securities Ltd

3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021
Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com